

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
MAY 2, 2023**

ITEM 2

SUBJECT

CONSIDERATION OF A PROPOSED RESOLUTION AMENDING THE PROPOSITION 1 GROUNDWATER GRANT PROGRAM GUIDELINES.

DISCUSSION

The *Water Quality, Supply, and Infrastructure Improvement Act of 2014* (Prop 1) was approved by California voters on November 4, 2014. Prop 1 authorizes \$720 million to the State Water Resources Control Board (State Water Board) to provide competitive grants for projects that prevent or clean up contamination of groundwater that serves or has served as a source of drinking water (California Water Code § 79771). The State Water Board set aside \$144 million for projects serving disadvantaged communities (DACs) and economically distressed areas, and will ensure that at least \$72 million of those funds go to projects that serve severely disadvantaged communities (SDACs) (Water Code section 79774(d)).

The [Prop 1 Groundwater Grant Program Guidelines](#) (Guidelines) were adopted on May 18, 2016 ([Resolution No. 2016-0028](#)) and amended on December 19, 2017 ([Resolution No. 2017-0075](#)) and February 2, 2021 ([Resolution No. 2021-0003](#)). The Guidelines outline the process to solicit applications, criteria to evaluate and select eligible proposals, and requirements that apply to funded projects.

The Prop 1 Groundwater Grant Program (GWGP) has funded two rounds of projects (Round 1 and Round 2), leaving \$102.2 million for a third round of funding (Round 3). Round 3 solicitation opened on April 15, 2022 and closed on July 15, 2022. The Deputy Director of the Division of Financial Assistance (DFA) approved preliminary funding awards, totaling approximately \$52.9 million, for eight projects. Execution of the Round 3 funding agreements will leave approximately \$21.8 million left in the SDAC set-aside, in addition to \$27.5 million for all GWGP projects regardless of the service area's economic status.

Per the existing Guidelines, the Deputy Director of DFA is authorized to reduce the local cost share (match) requirement for projects that clean up or prevent the contamination of an aquifer and that serve DACs, SDACs, or economically distressed areas. The proposed amendments allow more GWGP funds to benefit DACs and SDACs. The amendments to the Guidelines proposed herein would authorize the Deputy Director of DFA to:

- Completely waive match requirements for projects awarded funds in Round 3 that serve DACs and SDACs to the extent authorized by statute; and

- Completely waive the match requirements for additional funds awarded on or after the adoption date of the amended Guidelines to Round 1 and Round 2 projects that serve DACs and SDACs to the extent authorized by statute.

The proposed amendments also clarify the language regarding Drinking Water Treatment and Wastewater projects (which follow a special set of rules laid out in Sections 4.5, 4.6 and 5.4.2, and footnote 15 of the Guidelines) to keep the Guidelines in harmony with annual changes to the Drinking Water and Clean Water State Revolving Fund Intended Use Plans, update the technical assistance set-aside section, and provide minor status updates throughout the document.

A draft version of the amendments was posted for public review and comment on March 23, 2023. Interested parties were notified of the availability of the draft amended Guidelines via the State Water Board's e-mail lists. Written public comments were due by 12:00 noon on April 25, 2023. DFA staff have considered all comments and made appropriate revisions in preparing the amended Guidelines for State Water Board consideration.

POLICY ISSUE

Should the State Water Board:

1. Adopt the proposed resolution to amend the Guidelines?
2. Authorize the Deputy Director of DFA to make non-substantive changes to the Guidelines?
3. Authorize the Deputy Director of DFA, or designee, to award grants and execute grant agreements and amendments for routine, non-controversial projects consistent with the Guidelines?
4. Authorize the Deputy Director of DFA to utilize funds from projects which are withdrawn or completed under budget to fund additional projects, or to utilize available funds to augment the scope of work and budget of projects previously awarded, consistent with the Guidelines?
5. Authorize the Deputy Director of DFA to withdraw a grant award if the applicant is non-responsive or DFA has exhausted reasonable efforts to resolve issues that prevent the execution of a grant agreement?
6. Authorize the Deputy Director of DFA to terminate a grant agreement where there is a violation of a material provision of the agreement by the recipient?

FISCAL IMPACT

To be funded within existing resources. All waivers of the match requirement will be funded within the GWGP's existing program budget. Adopting the amended Guidelines will allow DFA to use all GWGP funds remaining after Round 3 to provide additional funding to support DAC and SDAC GWGP projects, and to fund Drinking Water

Treatment or Wastewater projects that serve DACs and SDACs, as provided in sections 4.5 and 4.6 of the Guidelines.

REGIONAL BOARD IMPACT

None. Waiving the match requirement on GWGP projects would provide financial relief to DACs and SDACs without changing the nature of the projects themselves.

STAFF RECOMMENDATION

Staff recommend adoption of the proposed resolution.